

Message Text

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INFO AMEMBASSY BELGRADE

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AMEMBASSY BONN

AMEMBASSY BRUSSELS

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AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY CAIRO

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMCONSUL HONG KONG

AMEMBASSY LONDON

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AMEMBASSY NEW DELHI

USMISSION OECD PARIS

AMEMBASSY PARIS

USLO PEKING

AMEMBASSY PRAGUE

AMEMBASSY ROME

AMEMBASSY SOFIA

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY WARSAW

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UNCLAS SECTION 1 OF 2 MOSCOW 7078

E.O. 11652: NA

TAGS: ETRD, EEWT, UR

SUBJECT: SOVIET FOREIGN TRADE FOR 1975: INCREASE OF 28 PERCENT
OVER 1974 WITH DEFICIT OF 2.7 BILLION RUBLES REPLACING SURPLUS
OF 2 BILLION RUBLES

REF: A) 75 MOSCOW 5076, B) MOSCOW 14612, C) MOSCOW 3317

1. SUMMARY: COMPREHENSIVE REPORT ON 1975 FOREIGN TRADE IN MAY
EKONOMICHESKAYA GAZETA (NO. 19) SHOWS INCREASE OF 28 PERCENT, FROM
39.6 BILLION RUBLES IN 1974 TO 50.7 BILLION RUBLES (US DOLS 67
BILLION). TRADE JUMP ACCOMPANIED, HOWEVER, BY ALMOST FIVE BILLION
RUBLES REVERSAL, WITH 1974 SOVIET SURPLUS OF 2.0 BILLION RUBLES
SUPERCEDED BY DEFICIT OF 2.7 BILLION RUBLES (IMPORTS: 26.7 BILLION
RUBLES, EXPORTS: 24 BILLION RUBLES). CONTINUATION OF "SOCIALIST
ECONOMIC INTEGRATION" REFLECTED IN OVER TWO PERCENT INCREASE IN
TRADE WITH THAT GROUP (ABOUT 90 PERCENT OF WHICH WAS WITH CEMA
MEMBERS) MATCHED BY DROP IN LDC TRADE, WHILE TRADE WITH "INDUS-
TRIALY DEVELOPED CAPITALIST COUNTRIES" (IDCC'S) STAYED AT 1974
LEVEL ON A PERCENTAGE BASIS. MASSIVE IMPORTS OF WESTERN TECH-
NOLOGY, MACHINERY AND EQUIPMENT ACCOUNTED FOR RESULTANT DEFICIT
OF 3.6 BILLION RUBLES WITH IDCC GROUP. SOVIET-US TRADE TOTALED
1.6 BILLION RUBLES, SLIGHTLY BELOW TARGET REPORTED REFTEL B. IN
ADDITION TO 1975 DATA, ARTICLE BY VASILY KLOCHEK, CHIEF OF
PLANNING-ECONOMIC ADMINISTRATION OF MINISTRY OF FOREIGN TRADE,
SUMMARIZES ACTIVITIES FOR NINTH FIVE-YEAR PLAN PERIOD (1971-75).
END SUMMARY.

2. TOTAL TRADE TURNOVER FOR 1975 REACHED 50.7 BILLION RUBLES
(DOLS 67 BILLION AT CURRENT OFFICIAL EXCHANGE RATE OF ONE RUBLE
EQUALS DOLS 1.3245), AN INCREASE OF 11.1 BILLION RUBLES OR ABOUT
28 PERCENT OVER PREVIOUS YEAR. LEVEL OF IMPORTS ROSE TO 26.7
BILLION RUBLES, COMPARED WITH EXPORTS OF 24 BILLION RUBLES,
RESULTING IN DEFICIT OF 2.7 BILLION RUBLES. TOTAL SWING IN TRADE
BALANCE WAS ALMOST FIVE BILLION RUBLES, SINCE SOVIETS REPORTED
TWO BILLION RUBLE SURPLUS FOR 1974. BREAKDOWN BETWEEN THREE MAIN
TRADING PARTNER GROUPS SHOWS FOLLOWING PERCENTAGES, COMPARED WITH
1974 SHARES (IN PARENTHESES): "SOCIALIST COUNTRIES" - 56.4 (54);
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LDC'S - 12.4 (14.6); IDCC'S - 31.2 (31.4). THUS 2.4 PERCENT GAIN
BY "SOCIALIST", CONTINUING SOVIET-BACKED CEMA INTEGRATION POLICY
(WHICH ACCOUNTS FOR SOME 90 PERCENT OF THIS GROUPING), WAS AT
EXPENSE OF LDC'S, WHILE WESTERN COUNTRIES MAINTAINED ABOUT SAME
PERCENTAGE SHARE.

3. IMPORTS. PRIMARY EMPHASIS IN IMPORT POLICY WAS IN MACHINE-
BUILDING EQUIPMENT AND TECHNOLOGY (INCLUDING LICENSES), WHICH

ACCOUNTED FOR 34 PERCENT OF IMPORTS. TOTAL IMPORT VOLUME OF 26.7 BILLION RUBLES INCLUDED 12.9 BILLION FROM CEMA COUNTRIES, 3 BILLION FROM LDC'S AND 9.7 BILLION FOR IDCC'S. PRODUCT BREAK-DOWN OF IMPORTS INCLUDED: 9 BILLION RUBLES MACHINERY, EQUIPMENT AND TRANSPORTATION ITEMS (METALLURGICAL INDUSTRY - 371 MILLION RUBLES, CHEMICAL INDUSTRY - 638 MILLION RUBLES, FOOD INDUSTRY - 231 MILLION RUBLES, AGRICULTURE - 338 MILLION RUBLES); RAW MATERIALS AND SEMI-MANUFACTURES (3.9 MILLION TONS ROLLED STEEL, 1.7 MILLION TONS LARGE-DIAMETER PIPE, 3.5 MILLION TONS BAUXITE, 324,000 TONS NATURAL RUBBER, 484,000 TONS PAPER AND 137,000 TONS COTTON); CONSUMER GOODS (109,000 TONS WOOL, 60,000 TONS COFFEE, 67,000 TONS TEA, 156,000 TONS CACAO BEANS, 480,000 TONS FRESH FRUIT, 438,000 TONS CITRUS, 181 MILLION METERS COTTON CLOTH, 69.7 MILLION PAIRS LEATHER SHOES AND 327 MILLION RUBLES WORTH OF CLOTHING).

4. EXPANDING COMMENTS TO 9FYP PERIOD (1971-75), KLOCHEK CLAIMS EQUIPMENT FOR CONSTRUCTION AND MODERNIZATION OF ABOUT 2,000 PROJECTS IMPORTED DURING FIVE YEARS. IMPORTS OF MACHINERY, EQUIPMENT AND TRANSPORT ITEMS OF 29 BILLION RUBLES REPRESENTED 87 PERCENT INCREASE OVER 8FYP. MAIN RECIPIENTS INCLUDED METALLURGICAL INDUSTRY (EXPANSION OF ROLLED METALS OUTPUT BY 6 MILLION TONS PER YEAR, FOUNDRY EQUIPMENT AND OTHER MACHINERY FOR VOLGA AUTO PLANT AND KAMAZ TRUCK FACTORY), CHEMICAL/PETROCHEMICAL INDUSTRY (OVER 2 BILLION RUBLES FOR EQUIPMENT MAINLY TO EXPAND OUTPUT OF NEW SYNTHETIC MATERIALS AND FERTILIZERS), GAS INDUSTRY (2.5 BILLION RUBLES FOR LARGE-DIAMETER PIPE AND OTHER EQUIPMENT), TRANSPORTATION (" LARGE AMOUNTS", ESPECIALLY FOR BAM RAILROAD CONSTRUCTION), AGRICULTURE (1.4 BILLION RUBLES FOR VARIOUS ITEMS OF MACHINERY), AND SHIPS (2.8 BILLION RUBLES WORTH FOR CARGO, FISHING AND RIVER FLEETS). FORTY PERCENT OF ALL IMPORTS, OR 35 BILLION RUBLES, MADE UP OF "DEFICIT RAW MATERIALS AND COMPONENTS", SUCH AS 6.3 MILLION TONS LARGE-DIAMETER PIPE, 16 UNCLASSIFIED

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MILLION TONS ROLLED STEEL, 4.3 MILLION TONS ALUMINA, 9.7 MILLION TONS BAUXITE, TWO BILLION RUBLES OF CHEMICALS, AND "SIGNIFICANT QUANTITIES" OF NATURAL AND SYNTHETIC RUBBER. THIRD GROUP OF IMPORTS WERE CONSUMER GOODS, LIKE CLOTHING, SHOES, FURNITURE AND VARIOUS FOOD ITEMS.

5. EXPORTS. TOTAL EXPORTS OF 24 BILLION RUBLES WERE DIVIDED BETWEEN CEMA (13.4 BILLION), LDC'S (3.3 BILLION) AND IDCC'S (6.1 BILLION). KLOCHEK STRESSED GROWING SHARE OF MACHINERY AND EQUIPMENT IN EXPORTS, WITH 1975 TOTAL OF 4.5 BILLION RUBLES REPRESENTING 13 PERCENT RISE OVER PREVIOUS YEAR AND TOTAL 9FYP VOLUME OF 18 BILLION RUBLES REPRESENTING 69 PERCENT INCREASE OVER 8FYP. PRODUCTS IN THIS GROUP OF 1975 EXPORTS INCLUDED 18,000 METALCUTTING MACHINES, 7.1 MILLION RUBLES WORTH OF ELECTRIC WELDING MACHINES, 193,000 ELECTRIC MOTORES, 79.4 MILLION RUBLES IN CHEMICAL INDUSTRY

EQUIPMENT, 39,000 TRACTORS, 33,000 TRUCKS, 296,000 PASSENGER VEHICLES AND 97 MILLION RUBLES WORTH OF SHIPS AND MARINE EQUIPMENT. SECOND IMPORTANT EXPORT SECTOR FOR SOVIETS WAS FUELS AND OTHER ENERGY ITEMS, INCLUDING 130 MILLION TONS OF OIL (WORTH 5.9 BILLION RUBLES OR 24.6 PERCENT OF EXPORTS). CEMA SHARE OF OIL DELIVERIES ROSE FROM 67 MILLION TONS (1974) TO 72 MILLION TONS. OTHER EXPORTS INCLUDED ABOUT 12 MILLION TONS VARIOUS METALS, 831 MILLION RUBLES WORTH OF CHEMICALS, 24.7 MILLION CUBIC METERS OF LUMBER AND WOOD PRODUCTS, ABOUT 1.4 MILLION TONS OF PULP AND PAPER, AND MISCELLANEOUS CONSUMER GOODS (16 MILLION WATCHES, 1.6 MILLION RADIOS, 1 MILLION CAMERAS, 507,000 TV'S, ETC).

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INFO OCT-01 EA-09 NEA-10 IO-13 ISO-00 AGR-10 CEA-01

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R 051508Z MAY 76
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 3477
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
USMISSION BERLIN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY CAIRO
USMISSION GENEVA
AMEMBASSY THE HAGUE
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AMEMBASSY PARIS
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6. KLOCHEK PROVIDED TWO EXAMPLES OF INCREASING PATTERN OF SOVIET PRODUCTION EXPORT PRODUCTS IN PLANTS EQUIPPED WITH IMPORTED MACHINERY AND EQUIPMENT. RISE IN DELIVERIES OF NATURAL GAS TO "DEVELOPED CAPITALIST COUNTRIES", INCLUDING 40 PERCENT INCREASE LAST YEAR, MADE POSSIBLE LARGELY THROUGH IMPORTS OF GREAT AMOUNTS OF LARGE-DIAMETER PIPE. SECOND, CONSTRUCTION OF VOLGA AUTO PLANT AND MODERNIZATION OTHER PLANTS WITH IMPORTED EQUIPMENT ENABLED SOVIETS TO INCREASE EXPORTS OF MOTOR VEHICLES FROM 119,000 (1970) TO 329,000 (1975). PLANS FOR FUTURE BASED ON SIGNIFICANT EXPANSION OF THIS PRACTICE.

7. SOCIALIST SECTOR TRADE. TOTAL TRADE WITH "SOCIALIST COUNTRIES" FOR 1975 REACHED 2.6 BILLION RUBLES (26.3 BILLION WITH CEMA MEMBERS), OR 56.4 PERCENT OF TOTAL. DURING 9FYP, DURING WHICH CEMA AGREEMENT REACHED ON "COMPOSITE PROGRAM FOR SOCIALIST ECONOMIC INTEGRATION", SOVIET-CEMA TRADE TOTALED 91 BILLION RUBLES. AGREEMENT ALREADY REACHED ON INTEGRATION PROJECTS DURING 1976-80 PERIOD, INCLUDING JOINT CONSTRUCTION MANY INDUSTRIAL PROJECTS, "BASIC PART" OF WHICH WILL BE LOCATED IN USSR. GOAL OF PROGRAM WILL BE TO INSURE ADEQUATE SUPPLIES OF NATURAL GAS, PULP, ASBESTOS, FERROALLOYS, IRON ORE AND LIVESTOCK FEED TO SOVIETS AND CEMA PARTNERS.

8. 1975 SOVIET TRADE WITH INDIVIDUAL CEMA COUNTRIES (COMPARED WITH 1970 AND 1974) WAS AS FOLLOWS (MILLION OF RUBLES, CURRENT PRICES):

	1970	1974	1975
GDR	3,295	4,315	5,623
POLAND	2,350	3,584	4,853
CZECH.	2,193	3,029	3,911

BULGARIA 1,816 2,904 3,991

HUNGARY 1,480 2,282 3,274

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CUBA 1,045 1,642 2,589

ROMANIA 919 1,191 1,526

MONGOLIA 231 404 480

CEMA TOTAL: 13,329# 19,351 26,247

INCLUDES CUBA WHICH JOINED CEMA IN 1972

TRADE WITH YUGOSLAVIA, WHICH WAS ONLY 520 MILLIN RUBLES IN 1970, ROSE TO 1.2 BILLION RUBLES IN 1974 AND 1.6 BILLION RUBLES IN 1975. KLOCHEK DID NOT MENTION SPECIFIC FIGURES FOR OTHER "SOCIALIST COUNTRIES" (NORTH VIETNAM, NORTH KOREA, CHINA), BUT RESIDUAL OF 700 MILLION RUBLES APPROXIMATELY EQUALS 1974 TOTAL OF 793 MILLION RUBLES FOR THESE THREE COUNTRIES.

9. DEVELOPING COUNTRIES. TOTAL TRADE WITH LDC'S OF 6.3 BILLION RUBLES ROSE ONE HALF-BILLION RUBLES OVER 1974, BUT IN PERCENTAGE TERMS THERE WAS A DECREASE TO TWO PERCENT. TRADE SHARES IN MILLION OF RUBLES (WITH 1974 FIGURES IN PARENTHESES) WERE:

EGYPT 710 (728)

INDIA 685 (615)

IRAN 510 (496)

IRAQ 596 (453)

BRAZIL 396 (202)

SYRIA NOT WHOWN (172)

ARGENTINA 304 (137)

10. INDUSTRIALLY DEVELOPED CAPITALIST COUNTRIES (IDCC'S)

EXPANDED ECONOMIC RELATIONS WITH THIS GROUP CHARACTERIZED BY "LARGE-SCALE, LONG-TERM" PROJECTS, ACCORDING KLOCHEK, INCLUDING COMPENSATION DEALS AND SOVIET PARTICIPATION IN CONSTRUCTION PROJECTS IN WEST (SUCH AS IN FINALND AND FRANCE). TOTAL TRADE OF
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15.8 BILLION RUBLES (OR 31.2 PERCENT OF TOTAL) SHARED AS FOLLOWS
(MILLION OF RUBLES, 1974 FIGURES IN PARENTHESES):

FRG - 2,800 (2,209)

JAPAN - 1,900 (1,683)

FINLAND - 1,700 (1,540)

ITALY - 1,400 (1,137)

GREAT BRITAIN - 960 (890)

USA - 1,600 (742)

FRANCE - 1,200 (941)

11. COMMENT: KLOCHEK MENTIONS BRIEFLY NEED FOR DEVELOPMENT OF "NEW FORMS", OF COOPERATION, AS CALLED FOR BY BREZHNEV AT 25TH CONGRESS, BUT HE OFFERS NO DETAILS OF WHAT SOVIETS HAVE IN MIND. IN CLOSING KLOCHEK ALSO POINTS OUT NEED FOR "FURTHER IMPROVEMENT OF FORM AND MANAGEMENT OF FOREIGN TRADE OPERATION", INCLUDING "PERFECTING INTERACTION OF FOREIGN TRADE ORGANIZATIONS WITH MINISTRIES, DEPARTMENTS AND ENTERPRISES". LATTER MAY BE REFERRING TO INCREASING RUMBLING FROM INDUSTRIAL MINISTRIES FOR GREATER ROLE IN FOREIGN TRADE BUSINESS. KLOCHEK NOT UNEXPECTEDLY (SEE REFTEL C) OMITTS ANY REFERENCE TO INCREASED INDEBTEDNESS OF SOVIETS, ALTHOUGH TRADE FIGURES MAKE IMBALANCE APPARANT.

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